



## ERS strengthens financial outlook in FY 2021

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A strong investment performance during fiscal year 2021, combined with the disciplined commitment to follow the employer contribution schedule set by statute, strengthened the financial outlook for the Employees' Retirement System, according to the ERS's actuarial consulting firm.

The 96<sup>th</sup> Annual Actuarial Valuation report was presented by GRS (Gabriel, Roeder, Smith & Co.) to the Board of Trustees at its Jan. 10 meeting.

The ERS lowered its unfunded liability (the amount needed to pay current and future benefits of members and retirees) from \$14.61 billion in FY 2020 to \$14.23 billion in FY 2021 and decreased the funding period from 26 years to 24 years. The funding period is the estimated number of years it will take to fully pay off the current unfunded liability assuming current contributions remain in place and all assumptions are met.

Investments outperformed the 7% assumption on a market basis with a 27% market return. A smoothing technique will defer some of the outperformance into future years (approximately \$2 billion). There was a gain on the actuarial value of assets of \$672 million.

The scheduled employer contribution rates, currently at 24% for general employees and 41% for special categories (police officers, firefighters and correction officers), are expected to be adequate to satisfy Hawaii Revised Statutes §88-122(e)(1), which became law in 2016. A Statutory Stress Test, also conducted by GRS, shows this is true even with substantial adverse experiences.

The report said ERS's liabilities grew faster than expected due to salary increases larger than current expectations for the general employee group. Small gains were made on the liability for the special category group.

ERS employee and employer contributions in dollars also are expected to be modestly lower due to fewer state and county workers.

However, the positive outlook assumes the scheduled contribution rates continue, and investment income objectives are achieved. It is imperative that the currently scheduled funding strategies are sustained, GRS said.

The 96<sup>th</sup> annual Valuation Report can be found on the ERS website: <https://ers.ehawaii.gov/wp-content/uploads/2022/01/Hawaii-2021-Actuarial-Valuation.pdf>

The GRS presentation to the Board of Trustees: <https://ers.ehawaii.gov/wp-content/uploads/2022/01/HI-ERS-2021-Valuation-Results-GRS-presentation.pdf>